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Mexico

Tomatoes and Products

Annual

2002

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Report Highlights:

Mexico's total tomato production for MY 2002/03 is forecast to be very close to that of MY 2001/02. Tomato exports are expected also to remain similar to MY 2001/02 levels.

Tomato paste production for MY 2003/04 will remain at low levels because it is now more profitable to import tomato paste. Therefore, tomato paste imports are forecast to be higher for MY 2003/04.

Includes PSD Changes: Yes

Includes Trade Matrix: Yes

Annual Report

Mexico [MX1], [MX]

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SECTION I. SITUATION & OUTLOOK**TOMATO SITUATION:**

Tomato production for Mexico for MY 2002/03 is not forecast to increase much over MY 2001/02. High costs of production and oversupplies for the past years have limited increases in area planted. Area planted will also depend on the demand from the export market, mainly the United States. Exports for MY 2002/03 are expected to remain at similar levels as in MY 2001/02. However, producers are expecting good international prices for tomatoes and that the new tomato suspension agreement will work better than the last one. Tomato paste production for MY 2003/04 will remain at low levels, very similar to those of MY 2002/03 because it is more profitable to import tomato paste than to produce it domestically, due to prevailing low international prices. Therefore, imports are forecast to be higher for MY 2003/04.

SECTION II. STATISTICAL TABLES

FRESH TOMATO TABLE

PSD Table

Country	Mexico					
Commodity	Fresh Tomatoes		(HA)(MT)			
	Revised 2000		Preliminary 2001		Forecast 2002	
	Old	New	Old	New	Old	New
Market Year Begin	01/2000		01/2001		01/2002	
Plnt For Fresh Consump	73210	73688	73000	70000	0	71000
Plnt For Processing	3000	3000	2500	3000	0	3000
TOTAL Area Planted	76210	76688	75500	73000	0	74000
Harv. For Fresh Cons.	71638	71650	71900	67900	0	68500
Harv. For Processing	2800	2800	2400	2800	0	2800
TOTAL Area Harvested	74438	74450	74300	70700	0	71300
Fresh Sale Production	2037200	2037931	2048000	1989000	0	2006000
Processing Production	112000	112000	96000	111000	0	112000
TOTAL Production	2149200	2149931	2144000	2100000	0	2118000
TOTAL SUPPLY	2149200	2149931	2144000	2100000	0	2118000

TOMATO PASTE TABLE

PSD Table

Country	Mexico					
Commodity	Tom. Paste, 28-30% TSS Basis (MT)(MT, Net Weight)					
	Revised 2001		Preliminary 2002		Forecast 2003	
	Old	New	Old	New	Old	New
Market Year Begin	03/2001		03/2002		03/2003	
Deliv. To Processors	100000	85000	80000	85000	0	85000
Beginning Stocks	0	0	0	0	0	0
Production	14000	12000	11000	12000	0	12000
Imports	22000	24360	24000	27500	0	28000
TOTAL SUPPLY	36000	36360	35000	39500	0	40000
Exports	5000	4763	4000	6600	0	6600
Domestic Consumption	31000	31597	31000	32900	0	33400
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	36000	36360	35000	39500	0	40000

TRADE MATRIX

Tomatoes		Unit: Metric Tons	
Exports for 2001 (Jan-Dec) to:		Imports for 2001 (Jan-Dec) from:	
U.S.	768,813	U.S.	48,799
CANADA	1,350		
OTHER	1,346	OTHER	0
TOTAL	771,509	TOTAL	48,799

Tomatoes		Unit: Metric Tons	
Exports for 2002 (Jan-Aug) to:		Imports for 2002 (Jan-Aug) from:	
U.S.	645,427	U.S.	21,743
CANADA	707	CHILE	83
OTHER	149	OTHER	0
TOTAL	646,283	TOTAL	21,826

SOURCE: Global Trade Information Services, Inc. World Trade Atlas, Mexico Edition, August 2002.

TOMATO PRICES

WHOLESALE TOMATOES PRICES			
Month	2001	2002	Change %
JANUARY	7.12	11.94	68
FEBRUARY	5.13	4.92	(4)
MARCH	7.43	7.90	6
APRIL	5.29	7.78	47
MAY	8.33	9.92	19
JUNE	8.07	12.20	51
JULY	7.37	10.72	45
AUGUST	10.08	9.06	(10)
SEPTEMBER	9.12	8.71	(4)
OCTOBER	10.40	9.74	(6)
NOVEMBER	9.66	11.92	23
DECEMBER	9.40	14.00	49
Pesos/kilogram			

Source: Servicio Nacional de Informacion de Mercados
 2001 Exchange Rate Avg.: U.S.\$1.00 = 9.35 pesos
 December 6, 2002, exchange rate U.S. \$1.00 = 10.24 pesos

TOMATO TARIFF SCHEDULE

NAFTA TOMATO TARIFF SCHEDULE		
H.S. 0702.00.20 Subheading 9906.07.03 Tomatoes , fresh or chilled		
TARIFF SEASON	TARIFF - CTS/KG	SAFEGUARD BASE (MT)
March 1, 1994 - July 14, 1994	4.14	165,500
March 1, 1995 - July 14, 1995	3.68	170,485
March 1, 1996 - July 14, 1996	3.22	175,579
March 1, 1997 - July 14, 1997	2.76	180,846
March 1, 1998 - July 14, 1998	2.30	186,272
March 1, 1999 - July 14, 1999	1.84	191,860
March 1, 2000 - July 14, 2000	1.38	197,616
March 1, 2001 - July 14, 2001	0.92	203,544
March 1, 2002 - July 14, 2002	0.46	209,650
Beginning in Calendar Year 2003, quantitative limitations shall cease to apply.		

Note: Includes all tomato varieties except cherry tomatoes, which have entered duty free since January 1, 1998.

NAFTA TOMATO TARIFF SCHEDULE		
H.S. 0702.00.60 SUBHEADING 9906.07.08 TOMATOES , FRESH OR CHILLED		
TARIFF SEASON	TARIFF - CTS/KG	SAFEGUARD BASE (MT)
Jan. 1, 1994 - Feb. 28, 1994	2.97	No Limit
Nov. 15, 1994 - Feb. 28, 1995	2.64	172,300
Nov. 15, 1995 - Feb. 29, 1996	2.31	177,469
Nov. 15, 1996 - Feb. 28, 1997	1.98	182,793
Nov. 15, 1997 - Feb. 28, 1998	1.65	188,277
Nov. 15, 1998 - Feb. 28, 1999	1.32	193,925
Nov. 15, 1999 - Feb. 29, 2000	0.99	199,743
Nov. 15, 2000 - Feb. 28, 2001	0.66	205,735
Nov. 15, 2001 - Feb. 28, 2002	0.33	211,907
Nov. 15, 2002 - Feb. 28, 2003	0.00	218,264
Beginning March 1, 2003, quantitative limitations shall cease to apply.		

TOMATO PASTE TARIFF SCHEDULE

NAFTA TOMATO PASTE TARIFF SCHEDULE	
H.S. 2002.90.99 TOMATO PASTE	
Year	Duty
1999	4.60
2000	3.45
2001	2.30
2002	1.15
2003	0.00

SECTION III. NARRATIVE ON SUPPLY & DEMAND, POLICY & MARKETING

FRESH TOMATOES

PRODUCTION

The forecast of Mexico's overall tomato production for MY 2002/03 (October/September) is expected to increase to 2.1 million metric tons. Producers, however, are not expected to increase production significantly compared to MY 2001/02. Area planted is expected to increase marginally for MY 2002/03. In fact, overall area planted to tomatoes has been decreasing for the last three years. Area planted for fresh consumption is forecast at 71,000 hectares and production is forecast at 2.0 million metric tons (MMT), while area planted for processing is forecast at 3,000 hectares with 112,000 metric tons (MT) of production. Although the main producing states have generally had good weather conditions, the state of Jalisco was affected by rain and cold temperatures that affected the tomato production in October 2002. Mexican states which grow for the domestic market tend to plant more Italian tomatoes while those growing for export usually plant standard round tomatoes. However, the state of Sinaloa plants for both markets. The fresh tomato production estimate for MY 2001/02 was revised downward as producers decreased area planted to prevent oversupplies. Area planted for fresh consumption, therefore, was also revised downward. Data for MY 2000/01 was updated, reflecting available official information.

During the winter season, Sinaloa is the main producer and exporter of tomatoes. Sinaloa growers expect that the use of improved and extended shelf varieties, drip irrigation, and plastic mulch will increase yields. During the summer season, Baja California is the main producer and exporter of tomatoes. Both Sinaloa and Baja California are more technologically advanced than other producing states. California tomatoes face direct competition from Baja California. Producers from Jalisco have begun to plant more acreage, due to the advantage of exporting to the United States. Jalisco produces tomatoes for the summer cycle and exports after Baja California in October, November and December. Sinaloa, Baja California, and Jalisco are beginning to produce horticultural products, including tomatoes in green houses.

Tomato production costs continue to be high. Imported agrochemicals, seeds and fertilizers are the most costly inputs. Fresh tomato production costs for the 2002 summer crop in Baja California varied from 30,000 to 40,000 pesos/ha (US\$2,912 to \$3,883/ha). The cost of production depends also on the value of the peso against the dollar because many inputs are imported from the United States. Also, the Mexican banks do not provide loans to tomato growers. Producers with export contracts receive some operating capital from contracting companies in the United States. Producers and the Mexican government are very aware of meeting quality standards on fruits and vegetables and have implemented programs to comply with food safety strategies.

Overall yields for tomatoes for fresh consumption for MY 2002/03 are forecast at 29.2 MT/ha. Individual yields vary depending on the production conditions and inputs. Baja California and Sinaloa growers generally achieve the highest fresh tomato yields, about 35 to 45 MT/ha., due in part to their widespread pest and disease control programs. In other areas in Mexico, growers achieve lower yields, 12 to 25 MT/ha, due to less intensive use of inputs and less intensive pest control efforts. Grower prices in Sinaloa for MY 2002/03 area expected to be similar to MY 2001/02 prices or approximately 1.10 pesos/kg (US\$0.11/kg).
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CONSUMPTION

Tomato consumption for MY 2002/03 is forecast to be slightly higher compared to MY 2001/02, because of available market prices and higher demand. However, final tomato consumption depends on tomato exports to the United States, because domestic consumption tends to be a residual after exports. Tomato consumption for MY 2001/02 was revised downward, due to a decrease in demand and reduced plantings. The tomato paste industry has always bought tomatoes from the fresh market in addition to buying contracted tomatoes for processing. However, due to the price competition from the fresh market, the industry has had problems in obtaining product for the industry. Moreover, there has been less industrial demand for tomato paste production. Consumption data for MY 2000/01 was revised upward based on official information.

During March, April and May, local tomato prices tend to rise because of increased export demand from Sinaloa, which in turn reduces supplies for the domestic market. Export demand is also important from June to August as this is Baja California's market window. By the end of November/ December, tomato prices rise again due to exports from Jalisco and Sinaloa. It is important to note that when fresh market prices are very attractive, tomatoes for processing are diverted to the fresh market and vice-versa.

TRADE

According to Mexican trade data, Mexico exported approximately 730,000 MT to the United States during MY 2001/02, compared to 807,586 MT in MY 2000/01, due to downward price fluctuations in the market. Tomato exports for MY 2002/03 are expected to be similar to those of MY 2001/02. Exporters are expecting adequate prices for the winter tomatoes and are also expecting that the new tomato suspension agreement works better than the last one. The new agreement, signed on December 4, 2002, binds all tomato exporters to an agreed reference price. The reference price for exporting fresh tomato is now 17.2 cents per pound from July 1 to October 22, which is the summer season, and 21.08 cents per pound from October 23 to June 30, which is the winter season. This measure will be in force for 5 years. The agreement contains two mechanisms that will allow a more equal participation of all Mexican exporters: 1) an official food safety regulation enforced by SAGARPA, with which all exporters must comply; and 2) an automatic export permit issued by SE. Therefore, a tomato exporter must be registered and comply with the Good Agricultural Practices Program to produce and pack fresh tomato for export. To receive the SE export permit, an exporter must have this registration. With such an enforcement, the government and the producers expect to have better control of the quality and prices of tomatoes exported to the United States.

Fresh tomato imports from the United States represent a small portion of Mexico's fresh consumption and fluctuate depending on the international price. According to importers, imports for MY 2002/03 are forecast to be in the same range as in MY 2001/02. According to Mexican trade data, tomato imports for MY 2001/02 were over 35,000 MT, very similar to MY 2000/01 imports of 35,121 MT. Growers indicate that imports compete with low domestic prices, but are able to find market windows from July to September. Currently, there are no non-tariff trade barriers for fresh tomato or tomato products imported from the United States. Nor does the Mexican government provide export subsidies for fresh tomatoes or tomato products.

Under NAFTA, Mexico does not have a safeguard mechanism for tomatoes. The U.S. however has a safeguard mechanism for tomato imports for Mexico. According to the tariff phase out, tomatoes exported to the U.S. beginning March 1, 2003 will have a zero duty and will not have quantitative limitations. See Section II for the tariff schedule.

MARKETING

Fresh tomatoes destined for domestic consumption, including imported tomatoes, pass through the various wholesale markets throughout Mexico and from there to the large supermarkets and retail stores. Promotional campaigns for importing tomatoes during 2002 included Mexico City and some northern border cities. The promotional campaign focused on technical knowledge on proper tomato handling, point of sale material, and supermarket promotions. For 2003, the promotional campaigns will concentrate in the northern border cities and on importers, as larger volumes of tomatoes tend to be bought here. Tomatoes for the export market are shipped directly from the producing areas to the U.S. border. Tomato tariff classification numbers are 0702.0000, 0702.00.01, and 0702.00.99.

TOMATO PASTE

PRODUCTION

According to industry sources, tomato paste production for MY 2003/04 (March/February) is forecast to remain constant at 12,000 MT. Similar to the last marketing year, many companies will not produce tomato paste because of unprofitable margins. Some major plant producers did not produce tomato paste for MY 2002/03 as it was more profitable to import tomato paste at low prices than to produce locally. The industry believes that tomato paste production will continue to decrease because of the increased costs of production and the current low international prices for paste. The industry indicated that importing tomato paste from the United States, China and Chile was less expensive than producing it in Mexico. A few companies are only producing for international contracts, mainly for U.S. contracts. Tomato paste production for MY 2002/03 was revised slightly upward, due to more demand than expected, but still reflecting low production levels. Tomato paste production for MY 2001/02 was revised downward based on available data.

Planting and harvesting for processing tomatoes depend on fresh domestic market prices and tomato paste international prices. Planted area of tomatoes destined for processing has remained low at about 3,000 hectares. For MY 2002/03, area planted and harvested is forecast to be similar to that of MY 2001/02 with yields ranging at about 40-50 MT/ha., given normal weather conditions. Area planted and harvested for MY 2001/02 was revised upward based on industry sources.

The balance of tomatoes for the processing industry is bought in the fresh market when needed. Cost of production for processing tomatoes for MY 2002/03 ranged from 12,500 to 13,500 pesos/ha (US\$1,214 to \$1,311/ha).

In addition to international demand, production of tomato paste depends very much on the fresh tomato demand. When there is a high demand for fresh tomatoes for the export market, some processing tomatoes are diverted and end up either in the domestic fresh market or the fresh export market. When tomato prices for the export market are low, they are available for the processing industry at good prices; however, if there is low international demand for tomato paste, the processing industry cannot take advantage of the situation. Most plants operate from March through June. Tomato paste production data is difficult to obtain because it is not officially published and only a few producers provide accurate partial data.

Seven tomato paste processing plants, which constitute the majority of the Mexican tomato paste industry, are located in Sinaloa. Mexican and multinational firms control these plants. They produce paste under their own labels and for use in other products such as ketchup,

tomato based juices, sauce, hot sauce, sardines, and other paste containing products. Tomato paste in Mexico is made at different concentrations depending on the intended end use : 29, 31, 36, 44 degrees Brix.

Sinaloa's total processing capacity is approximately 6,350 metric tons per day. Some plants contract their tomatoes for processing directly with the local growers. Other plants prefer to purchase most of their supply in the cash market. The processing plants provide the growers under contract with most of their inputs, including seedlings, fertilizer, and technology for pest control. Processors then deduct these input costs from the payment for the product.

CONSUMPTION

Note: The tomato paste consumption data includes domestic production and tomato paste imported by the paste industry and the dehydration industry. According to sources, all the dehydrated product is exported.

Tomato paste consumption is estimated as the residual after subtracting exports and ending stocks from total supply, then adding imports as appropriate. The domestic market acted as a buffer for oversupplies of canned tomato paste when companies were producing normally. However, now that companies have reduced tomato paste production, that market demand has to be met by larger imports. Tomato paste consumption for MY 2003/04 is forecast at 33,400 MT, an increase compared to MY 2002/02, due to an increase in demand from the dehydration industry. However, final consumption data will also depend on the volume of tomato paste exported.

Tomato paste consumption for MY 2001/02 and 2002/03 was revised upward, due to an increase in demand from the dehydration industry. Domestic consumption ranges between 28,000 to 30,000 MT, not including the paste destined for the dehydration industry. High capital costs and the lack of adequate warehouses encourage processors to sell excess supplies into the domestic market rather than to maintain inventories.

TRADE

Mexico's possibilities of increasing its tomato paste exports have dwindled as the United States has increased tomato paste exports. In addition, China's access to the international market, with high levels of production, have lowered international prices. Therefore, Mexican tomato paste exports for MY 2003/04 are forecast to remain at 6,600 MT, unless international prices increase. Tomato paste exports for MY 2002/03 were revised upward, due to a small increase in prices, but still reflecting low export volumes. Export data for MY 2001/02 was revised downward based on available trade data information and high international inventories. The average export price for tomato paste for MY 2002/03 has ranged between US\$0.33 to \$0.34/lb. The main markets for Mexican tomato paste are the United States and South America.

Tomato paste imports for MY 2003/04 are forecast to keep on increasing to meet expected domestic demand, as the industry faces a decrease in production. The tomato paste industry will continue importing tomato paste as it is more profitable, due to low international prices, than producing it domestically. MY 2001/02 and 2002/03 import data has been revised upward also to meet domestic demand. Imports include tomato paste for the dehydration industry, which have also been increasing. Most product for this industry has been imported from China. Tomato paste imports were on average US\$0.28 to \$0.30/lb for MY 2001/02, while exports prices were three or four cents/lb more.

Tomato paste imports from the U.S. have decreased from 73% of total imports in CY 2000 to 68% in CY 2001. The remaining CY 2001 imports were from Chile (22.5 %) and China (8.4 %).

For MY 2002/03, approximately 4,000 MT of tomato paste will be destined to the dehydration industry, and for MY 2003/04 imports could increase if international prices continue to be low. Tomato paste imports are subject to a 20 percent duty for all non-NAFTA suppliers. For 2003, the duty applied to imports from the United States will be zero. The tariff classification code is 20.02.90.99. For the tariff phase out schedule under NAFTA, see Section II.